

Township of Byron
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Byron's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$1,663,022 (2 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$774,468 and net assets of the business-type activities increased by \$888,554.
- Of the \$88,374,380 total net assets reported, \$14,876,462 (17 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year is \$2,644,134, which represents 125 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2008 and 2007 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Township of Byron
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements (Continued)

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire and police protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here, as well as its construction code inspection services.
- *Component unit* - The Township includes another entity in its report - the Byron Downtown Development Authority. Although legally separate, this "component unit" is important because the Township is financially accountable for it.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township has three kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds*. Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.

Township of Byron
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund financial statements (Continued)

- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$88,374,380, an increase of 2 percent compared to the prior year. Of this total, \$69,475,907 is invested in capital assets, net of related debt, and \$4,022,011 is restricted for various purposes. Consequently, unrestricted net assets were \$14,876,462, or 17 percent of the total.

	Governmental activities		Business-type activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 9,289,348	\$ 8,396,886	\$ 10,013,863	\$ 9,657,687	\$ 19,303,211	\$ 18,054,573
Capital assets	8,438,629	8,518,022	61,468,256	61,276,596	69,906,885	69,794,618
Total assets	17,727,977	16,914,908	71,482,119	70,934,283	89,210,096	87,849,191
Long-term debt outstanding	-	-	430,978	710,595	430,978	710,595
Other liabilities	164,355	125,754	240,383	301,484	404,738	427,238
Total liabilities	164,355	125,754	671,361	1,012,079	835,716	1,137,833
Net assets:						
Invested in capital assets, net of related debt	8,438,629	8,518,022	61,037,278	60,566,001	69,475,907	69,084,023
Restricted	3,520,772	3,248,997	501,239	659,663	4,022,011	3,908,660
Unrestricted	5,604,221	5,022,135	9,272,241	8,696,540	14,876,462	13,718,675
Total net assets	\$ 17,563,622	\$ 16,789,154	\$ 70,810,758	\$ 69,922,204	\$ 88,374,380	\$ 86,711,358

Changes in net assets. The Township's total revenues were \$9,933,298 during the current year. Almost 45 percent of the total revenues come from charges for services, primarily from sewer and water services and nearly 15 percent of the revenues were derived from capital contributions, consisting primarily of utility system improvements. Over 18 percent of the total revenues come from property taxes while only 12 percent come from state shared revenue.

Township of Byron
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of all the Township's programs, covering a wide range of services, totaled \$8,270,276. Over 55 percent of the Township's total costs relate to the provision of utility services. General government costs account for 16 percent of the Township's total costs and public safety costs account for another 14 percent.

Condensed financial information						
Changes in net assets						
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues:						
Charges for services	\$ 556,328	\$ 505,850	\$ 3,880,777	\$ 3,777,115	\$ 4,437,105	\$ 4,282,965
Operating grants and contributions	17,391	81,723	-	-	17,391	81,723
Capital grants and contributions	-	353,700	1,446,564	3,319,257	1,446,564	3,672,957
General revenues:						
Property taxes	1,810,190	1,675,541	-	-	1,810,190	1,675,541
State shared revenue	1,200,194	1,201,782	-	-	1,200,194	1,201,782
Interest on investments	467,981	462,650	386,705	408,333	854,686	870,983
Franchise fees	162,288	148,477	-	-	162,288	148,477
Other	4,880	29,621	-	-	4,880	29,621
Total revenues	4,219,252	4,459,344	5,714,046	7,504,705	9,933,298	11,964,049
Expenses:						
Legislative	21,530	20,238	-	-	21,530	20,238
General government	1,286,253	1,100,117	-	-	1,286,253	1,100,117
Public safety	1,159,945	1,130,285	-	-	1,159,945	1,130,285
Public works	381,746	295,902	-	-	381,746	295,902
Recreation and culture	529,741	490,867	-	-	529,741	490,867
Community and economic development	65,569	46,327	-	-	65,569	46,327
Sewer	-	-	2,515,569	2,349,302	2,515,569	2,349,302
Water	-	-	2,059,779	1,821,734	2,059,779	1,821,734
Building inspections	-	-	250,144	249,600	250,144	249,600
Total expenses	3,444,784	3,083,736	4,825,492	4,420,636	8,270,276	7,504,372
Increase in net assets	\$ 774,468	\$ 1,375,608	\$ 888,554	\$ 3,084,069	\$ 1,663,022	\$ 4,459,677

Governmental activities

Governmental activities increased the Township's net assets by \$774,468 in the current year compared to a \$1,375,608 increase in the prior year. Revenues continue to be more than sufficient to cover the rising costs of providing governmental services; however, the increase in net assets was substantially less than the prior year due to a \$354,000 decrease in capital grant revenue and a \$445,000 (12%) increase in expenses. The most significant increases in expenses were road maintenance costs (\$130,000) and higher legal fees (\$118,000).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities (Continued)

The cost of all governmental activities this year was \$3,444,784. After subtracting the direct charges to those who directly benefited from the programs (\$556,328), and operating and capital grants (\$17,391), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$2,871,065.

Business-type activities

The business-type activities generated an operating loss of \$1,476,225 because the user charges are not set to cover the full cost of depreciation of the utility infrastructure. However, the business-type activities increased the Township's net assets by \$888,554. Significant nonoperating revenues and capital contributions, primarily noncash developer capital contributions in the amount of \$1,180,000, were more than sufficient to cover the operating loss in the current year.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$9,124,993, an increase of \$853,861 in comparison with the prior year. The increase occurred because the growth in revenues, primarily property taxes and interest income, outpaced the increase in expenditures. Of the total fund balances, \$8,755,746 (96 percent) constitutes unreserved fund balance, which is available for spending at the Board's discretion. The remainder of fund balance, in the amount of \$369,247, is reserved to indicate that it is not available for new spending because it is legally restricted for street lighting expenditures.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$2,644,134, which represents 125 percent of the actual total General Fund expenditures for the current fiscal year. Even though revenues were flat in the current year, fund balance increased by \$153,389 due to a decrease in expenditures. Expenditures decreased by nearly \$202,000 primarily because of a decrease in road improvement costs that were incurred in the prior year. The fund was able to transfer \$500,000 to the Improvement Revolving Fund for future capital projects and still experience an increase in fund balance.

The Fire Department Operation and Maintenance Fund has a fund balance of \$580,908 which represents an increase of \$98,389 in comparison with the prior year. Expenditures decreased by almost \$62,000 due to a reduction in legal fees.

The Law Enforcement Fund has a fund balance of \$1,033,952, which represents an increase of \$21,759 in comparison with the prior year. The fund's property tax revenue (\$472,215) and interest earnings (\$43,599) were sufficient to cover the fund's expenditures of \$500,310 in the current year.

Proprietary funds

The Sewer Fund experienced an operating loss of \$974,932 and a decrease in net assets in the amount of \$77,454. Nonoperating revenues, including noncash developer contributions of \$420,000, reduced the fund's decrease in net assets in the current year. Net assets were \$41,652,395 at year end while working capital amounted to \$4,745,797.

Proprietary funds (Continued)

The Water Fund experienced an operating loss of \$454,673, but an increase in net assets of \$1,012,628 primarily due to capital contributions totaling \$987,897, which includes noncash developer contributions totaling \$760,000. Net assets were \$28,739,662 at year end while working capital amounted to \$3,919,364.

The Building Inspections Fund experienced an operating loss of \$46,620. The loss is the result of a 13% reduction in inspection fees compared to the prior year. Net assets were \$418,701 at year end.

General Fund budgetary highlights

The Board did not amend the General Fund budget during the fiscal year. General Fund revenues, principally charges for services and interest income, were \$195,960 more than budgeted. Interest income was significantly higher than anticipated due to the higher interest rates earned on deposits, and charges from services were more than expected due to the growth of the recreation department. General Fund expenditures, in total, were \$95,679 less than the amounts appropriated, which resulted in a \$291,639 positive budget variance, and a \$153,389 increase in fund balance compared to a budgeted decrease of \$138,250.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounts to \$69,906,885 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, fire equipment, and sewer and water facilities.

Major capital asset events during the current fiscal year included the following:

- Continued expansion of the sewer and water systems with costs totaling \$1,749,216.
- The construction of a Recreation Center began in the current year with initial costs amounting to \$160,325. Construction will be completed in the subsequent fiscal year.
- Engineering costs, in the amount of \$65,962, related to a nonmotorized trail, were incurred and capitalized in the current year. The project will be completed in the subsequent year.
- Several equipment items were purchased at a total cost of \$69,264.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Capital assets and debt administration (Continued)

Long-term debt

At the end of the fiscal year, the Township had total noncurrent liabilities outstanding in the amount of \$430,978, which represents a decrease of \$279,617. The sewer and water funds are solely responsible for repayment of these obligations.

During the year ended March 31, 2008, the Township decreased its long-term debt through principal payments on its 1992 tax increment bonds that are financed by taxes captured through the Local Development Finance Authority and accounted for in the Water Fund. Retirements on the bonds in the current year amounted to \$250,000. The Sewer Fund also retired \$29,617 of its obligations related to contracts payable.

More detailed information about the Township's noncurrent liabilities is presented in Note 6 of the notes to the basic financial statements.

Economic condition and outlook

Byron Township's economic outlook is still strong into the next fiscal year. Property tax revenues will continue to rise due to construction of new residential, commercial, and industrial buildings and an increase in assessed values. A portion of the unrestricted net assets will be used in the next fiscal year for capital projects, including a Senior Center/Recreation Building. Salaries will increase 3% on average.

The opening of Saint Mary's Health Center and Metro Health Village will increase the taxable value of the Township and will attract new residents and businesses and will continue the growth and vitality of the Township. Development along the M-6 corridor will also increase property values. The Township will be building water and sewer networks into the northwest corner of the Township. These improvements will significantly impact the growth in that segment of the Township.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Joel Hondorp, Township Clerk
Township of Byron
8085 Byron Center Avenue, SE
Byron Center, MI 49315

Phone: (616) 878-9104

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Byron, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Byron, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Byron, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Board of Trustees
Township of Byron, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Byron, Michigan's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

August 21, 2008

BASIC FINANCIAL STATEMENTS

Township of Byron
STATEMENT OF NET ASSETS
 March 31, 2008

	Primary government			Component Unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 4,027,256	\$ 4,120,946	\$ 8,148,202	\$ 12,577
Cash - restricted	-	82,538	82,538	-
Investments	4,941,912	4,695,300	9,637,212	-
Receivables	320,180	555,078	875,258	-
Total current assets	9,289,348	9,453,862	18,743,210	12,577
Noncurrent assets:				
Receivables	-	560,001	560,001	-
Capital assets not being depreciated - land and construction in progress	689,463	-	689,463	-
Capital assets, net of depreciation	7,749,166	61,468,256	69,217,422	-
Total noncurrent assets	8,438,629	62,028,257	70,466,886	-
Total assets	17,727,977	71,482,119	89,210,096	12,577
LIABILITIES				
Current liabilities:				
Payables	122,911	240,383	363,294	10,455
Escrow deposits	8,519	-	8,519	-
Deferred revenue	32,925	-	32,925	-
Bonds and contracts payable	-	129,617	129,617	-
Total current liabilities	164,355	370,000	534,355	10,455
Noncurrent liabilities - bonds and contracts payable	-	301,361	301,361	-
Total liabilities	164,355	671,361	835,716	10,455
NET ASSETS				
Invested in capital assets, net of related debt	8,438,629	61,037,278	69,475,907	-
Restricted for:				
Public safety	1,614,860	418,701	2,033,561	-
Public works	369,247	-	369,247	-
Recreation and culture	418,444	-	418,444	-
Capital outlay	1,118,221	-	1,118,221	-
Debt service	-	82,538	82,538	-
Unrestricted	5,604,221	9,272,241	14,876,462	2,122
Total net assets	\$ 17,563,622	\$ 70,810,758	\$ 88,374,380	\$ 2,122

See notes to the financial statements

Township of Byron
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government				
Governmental activities:				
Legislative	\$ 21,530	\$ -	\$ -	\$ -
General government	1,286,253	143,695	-	-
Public safety	1,159,945	-	6,255	-
Public works	381,746	229,982	11,136	-
Community and economic development	65,569	28,923	-	-
Recreation and culture	529,741	153,728	-	-
Total governmental activities	<u>3,444,784</u>	<u>556,328</u>	<u>17,391</u>	<u>-</u>
Business-type activities:				
Sewer	2,515,569	1,778,763	-	458,667
Water	2,059,779	1,898,490	-	987,897
Building inspections	250,144	203,524	-	-
Total business-type activities	<u>4,825,492</u>	<u>3,880,777</u>	<u>-</u>	<u>1,446,564</u>
Total primary government	<u>\$ 8,270,276</u>	<u>\$ 4,437,105</u>	<u>\$ 17,391</u>	<u>\$ 1,446,564</u>
Component unit				
Downtown Development Authority	<u>\$ 19,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
State shared revenue
Unrestricted interest income
Cable franchise fees
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

<i>Net (expenses) revenues and changes in net assets</i>			
<i>Primary government</i>			<i>Component Unit</i>
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
\$ (21,530)		\$ (21,530)	
(1,142,558)		(1,142,558)	
(1,153,690)		(1,153,690)	
(140,628)		(140,628)	
(36,646)		(36,646)	
(376,013)		(376,013)	
(2,871,065)		(2,871,065)	
	\$ (278,139)	(278,139)	
	826,608	826,608	
	(46,620)	(46,620)	
	501,849	501,849	
(2,871,065)	501,849	(2,369,216)	
-			\$ (19,915)
1,810,190	-	1,810,190	9,374
1,200,194	-	1,200,194	-
467,981	386,705	854,686	652
162,288	-	162,288	-
4,880	-	4,880	-
3,645,533	386,705	4,032,238	10,026
774,468	888,554	1,663,022	(9,889)
16,789,154	69,922,204	86,711,358	12,011
\$ 17,563,622	\$ 70,810,758	\$ 88,374,380	\$ 2,122

See notes to the financial statements

Township of Byron
BALANCE SHEET - governmental funds
 March 31, 2008

	Major funds		
		Fire	
		Department	
		Operation and	Law
	General	Maintenance	Enforcement
ASSETS			
Cash	\$ 1,196,230	\$ 588,365	\$ 509,649
Investments	1,634,828	-	550,513
Receivables	263,708	28,268	21,107
Due from other funds	1,848	13,666	-
Total assets	<u>\$ 3,096,614</u>	<u>\$ 630,299</u>	<u>\$ 1,081,269</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 23,281	\$ 49,391	\$ 45,469
Due to other funds	18,508	-	1,848
Escrow deposits	8,519	-	-
Deferred revenue	32,925	-	-
Total liabilities	<u>83,233</u>	<u>49,391</u>	<u>47,317</u>
Fund balances:			
Reserved for street lighting	369,247	-	-
Unreserved	2,644,134	580,908	1,033,952
Unreserved, reported in nonmajor - special revenue funds	-	-	-
Total fund balances	<u>3,013,381</u>	<u>580,908</u>	<u>1,033,952</u>
Total liabilities and fund balances	<u>\$ 3,096,614</u>	<u>\$ 630,299</u>	<u>\$ 1,081,269</u>

Total fund balances - all governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Net assets of *governmental activities* (page 5)

<i>Nonmajor funds</i>	<i>Total governmental funds</i>
\$ 1,733,012	\$ 4,027,256
2,756,571	4,941,912
7,097	320,180
4,842	20,356
<u>4,501,522</u>	<u>9,309,704</u>

\$ 4,770	\$ 122,911
-	20,356
-	8,519
-	32,925
<u>4,770</u>	<u>184,711</u>

-	369,247
-	4,258,994
<u>4,496,752</u>	<u>4,496,752</u>

<u>4,496,752</u>	<u>9,124,993</u>
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<u>\$ 4,501,522</u>	<u>\$ 9,309,704</u>
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\$ 9,124,993

8,438,629

\$ 17,563,622

See notes to the financial statements

*Township of Byron***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds***Year ended March 31, 2008*

	<i>Major funds</i>		
	<i>General</i>	<i>Fire Department Operation and Maintenance</i>	<i>Law Enforcement</i>
REVENUES			
Property taxes	\$ 649,782	\$ 558,632	\$ 472,215
Licenses and permits	162,288	-	6,255
State grants	1,211,330	-	-
Intergovernmental	60,000	-	-
Charges for services	254,155	-	-
Fines and forfeitures	13,290	-	-
Interest and rentals	235,631	17,009	43,599
Other:			
Special assessment - street lighting	169,982	-	-
Miscellaneous	14,452	10	-
Total revenues	<u>2,770,910</u>	<u>575,651</u>	<u>522,069</u>
EXPENDITURES			
Legislative	21,530	-	-
General government	1,185,780	-	-
Public safety	-	477,262	500,310
Public works	347,025	-	-
Community and economic development	65,569	-	-
Recreation and culture	415,661	-	-
Capital outlay	81,956	-	-
Total expenditures	<u>2,117,521</u>	<u>477,262</u>	<u>500,310</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>653,389</u>	<u>98,389</u>	<u>21,759</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(500,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	153,389	98,389	21,759
FUND BALANCES - BEGINNING	<u>2,859,992</u>	<u>482,519</u>	<u>1,012,193</u>
FUND BALANCES - ENDING	<u>\$ 3,013,381</u>	<u>\$ 580,908</u>	<u>\$ 1,033,952</u>

<i>Nonmajor funds</i>	<i>Total governmental funds</i>
\$ 157,567	\$ 1,838,196
-	168,543
-	1,211,330
-	60,000
-	254,155
-	13,290
189,627	485,866
-	169,982
3,428	17,890
<u>350,622</u>	<u>4,219,252</u>
-	21,530
-	1,185,780
-	977,572
-	347,025
-	65,569
-	415,661
270,298	352,254
<u>270,298</u>	<u>3,365,391</u>
80,324	853,861
1,100,000	1,100,000
(600,000)	(1,100,000)
<u>500,000</u>	<u>-</u>
580,324	853,861
3,916,428	8,271,132
<u>\$ 4,496,752</u>	<u>\$ 9,124,993</u>

See notes to the financial statements

Township of Byron

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2008

Net changes in fund balances - total governmental funds (page 8) \$ 853,861

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - capital outlay	295,551
Deduct - depreciation expense	<u>(374,944)</u>

Change in net assets of *governmental activities* (page 6) \$ 774,468

Township of Byron
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2008

	<u>Major funds</u>		<u>Building</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash	\$ 1,842,445	\$ 1,859,800	\$ 418,701	\$ 4,120,946
Cash - restricted for debt service	-	82,538	-	82,538
Investments	2,770,962	1,924,338	-	4,695,300
Receivables	290,391	264,687	-	555,078
Total current assets	<u>4,903,798</u>	<u>4,131,363</u>	<u>418,701</u>	<u>9,453,862</u>
Noncurrent assets:				
Receivables	283,527	276,474	-	560,001
Capital assets, net of accumulated depreciation	<u>36,724,432</u>	<u>24,743,824</u>	<u>-</u>	<u>61,468,256</u>
Total noncurrent assets	<u>37,007,959</u>	<u>25,020,298</u>	<u>-</u>	<u>62,028,257</u>
Total assets	<u>41,911,757</u>	<u>29,151,661</u>	<u>418,701</u>	<u>71,482,119</u>
LIABILITIES				
Current liabilities:				
Payables	128,384	111,999	-	240,383
Contracts payable	29,617	-	-	29,617
Bonds payable	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total current liabilities	<u>158,001</u>	<u>211,999</u>	<u>-</u>	<u>370,000</u>
Noncurrent liabilities:				
Contracts payable	101,361	-	-	101,361
Bonds payable	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total noncurrent liabilities	<u>101,361</u>	<u>200,000</u>	<u>-</u>	<u>301,361</u>
Total liabilities	<u>259,362</u>	<u>411,999</u>	<u>-</u>	<u>671,361</u>
NET ASSETS				
Invested in capital assets, net of related debt	36,593,454	24,443,824	-	61,037,278
Restricted for:				
Public safety	-	-	418,701	418,701
Debt service	-	82,538	-	82,538
Unrestricted	<u>5,058,941</u>	<u>4,213,300</u>	<u>-</u>	<u>9,272,241</u>
Total net assets	<u>\$ 41,652,395</u>	<u>\$ 28,739,662</u>	<u>\$ 418,701</u>	<u>\$ 70,810,758</u>

See notes to the financial statements

Township of Byron

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds***

Year ended March 31, 2008

	<i>Major funds</i>		<i>Building</i>	
	<i>Sewer</i>	<i>Water</i>	<i>Inspections</i>	<i>Totals</i>
OPERATING REVENUES				
Charges for services	\$ 1,540,637	\$ 1,577,956	\$ 203,524	\$ 3,322,117
OPERATING EXPENSES				
Personnel costs	49,276	49,276	195,139	293,691
Sewage treatment charges	1,230,662	-	-	1,230,662
Water charges	-	934,384	-	934,384
Operation and maintenance	160,323	365,920	-	526,243
Professional services	113,865	51,204	25,202	190,271
Miscellaneous	9,528	26,204	29,803	65,535
Depreciation	951,915	605,641	-	1,557,556
Total operating expenses	2,515,569	2,032,629	250,144	4,798,342
Operating loss	(974,932)	(454,673)	(46,620)	(1,476,225)
NONOPERATING REVENUES (EXPENSES)				
Trunkage and availability fees	217,122	299,799	-	516,921
Interest revenue	200,685	186,020	-	386,705
Special assessment interest	21,004	20,735	-	41,739
Interest expense	-	(27,150)	-	(27,150)
Total nonoperating revenues	438,811	479,404	-	918,215
Income (loss) before capital contributions	(536,121)	24,731	(46,620)	(558,010)
CAPITAL CONTRIBUTIONS				
Developers and others	458,667	807,347	-	1,266,014
Tax increment financing	-	180,550	-	180,550
Total capital contributions	458,667	987,897	-	1,446,564
CHANGES IN NET ASSETS	(77,454)	1,012,628	(46,620)	888,554
NET ASSETS - BEGINNING	41,729,849	27,727,034	465,321	69,922,204
NET ASSETS - ENDING	\$ 41,652,395	\$ 28,739,662	\$ 418,701	\$ 70,810,758

See notes to the financial statements

Township of Byron
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2008

	<u>Major funds</u>		<u>Building</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,513,948	\$ 1,564,159	\$ 203,524	\$ 3,281,631
Payments to vendors and suppliers	(1,525,684)	(1,413,507)	(55,005)	(2,994,196)
Payments to employees	(49,276)	(49,276)	(195,139)	(293,691)
Net cash provided by (used in) operating activities	(61,012)	101,376	(46,620)	(6,256)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Collections of assessments receivable	67,467	69,615	-	137,082
Special assessment interest	21,004	20,735	-	41,739
Trunkage and availability fees	217,122	299,799	-	516,921
Capital contributions	-	180,550	-	180,550
Acquisition of capital assets	(207,211)	(362,005)	-	(569,216)
Principal payments on capital debt	(29,617)	(250,000)	-	(279,617)
Interest payments on capital debt	-	(41,150)	-	(41,150)
Net cash provided by (used in) capital and related financing activities	68,765	(82,456)	-	(13,691)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in investments	(134,229)	(93,218)	-	(227,447)
Interest received	200,685	186,020	-	386,705
Net cash provided by investing activities	66,456	92,802	-	159,258
NET INCREASE (DECREASE) IN CASH	74,209	111,722	(46,620)	139,311
CASH - BEGINNING (including \$194,342 in restricted accounts reported in the Water Fund)	1,768,236	1,830,616	465,321	4,064,173
CASH - ENDING (including \$82,538 in restricted accounts reported in the Water Fund)	\$ 1,842,445	\$ 1,942,338	\$ 418,701	\$ 4,203,484

See notes to the financial statements

Township of Byron

STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)

Year ended March 31, 2008

	<u>Major funds</u>		<u>Building</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
Noncash capital and related financing activities:				
Acquisition of capital assets	\$ (627,211)	\$ (1,122,005)	\$ -	\$ (1,749,216)
Less capital assets contributed by developers	<u>420,000</u>	<u>760,000</u>	<u>-</u>	<u>1,180,000</u>
Net cash used	<u>\$ (207,211)</u>	<u>\$ (362,005)</u>	<u>\$ -</u>	<u>\$ (569,216)</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (974,932)	\$ (454,673)	\$ (46,620)	\$ (1,476,225)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	951,915	605,641	-	1,557,556
Increase in receivables	(26,689)	(13,797)	-	(40,486)
Decrease in payables	<u>(11,306)</u>	<u>(35,795)</u>	<u>-</u>	<u>(47,101)</u>
Net cash provided by (used in) operating activities	<u>\$ (61,012)</u>	<u>\$ 101,376</u>	<u>\$ (46,620)</u>	<u>\$ (6,256)</u>

See notes to the financial statements

Township of Byron

STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*

March 31, 2008

ASSETS

Cash	\$ <u>53,690</u>
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LIABILITIES

Payables	\$ <u>53,690</u>
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See notes to the financial statements

Township of Byron
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Byron, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township and its component units, entities for which the Township is considered financially accountable.

Discretely presented component unit:

The Byron Township Downtown Development Authority (the Authority) is presented in separate columns in the financial statements to emphasize that it is legally separate from the Township. Separate financial statements for the Authority have not been issued, as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit. The Authority's governing body is appointed by the Township Board and its budget must be approved by the Township Board.

Blended component unit:

The Byron Township Local Development Finance Authority (the Authority) is governed by a separate board appointed by the Township Board. Although it is legally separate, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct water system facilities within the Township.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from state shared revenue and property taxes.

The Fire Department Operation and Maintenance Fund accounts for all the financial resources used by the Township to operate and maintain the two fire departments that serve the Township. Revenues are primarily derived from property taxes.

The Law Enforcement Fund accounts for all the financial resources used by the Township to provide police protection services. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection systems.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Township reports two fiduciary funds, the Agency Fund and the Tax Collection Fund, which account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water systems and shared road costs), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the government as assets with an initial individual cost of more than \$5,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets (continued) - Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 100 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Shared road costs	10 - 20 years
Sewer and water systems	50 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Law Enforcement	Public safety	\$ 448,000	\$ 500,310	\$ 52,310
Trails	Capital outlay	-	65,962	65,962

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments as of year end are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Component Unit</u>	<u>Totals</u>
Cash on hand	\$ 100	\$ -	\$ -	\$ -	\$ 100
Cash	4,027,156	4,120,946	53,690	12,577	8,214,369
Cash - restricted	-	82,538	-	-	82,538
Investments	4,941,912	4,695,300	-	-	9,637,212
Total	<u>\$ 8,969,168</u>	<u>\$ 8,898,784</u>	<u>\$ 53,690</u>	<u>\$ 12,577</u>	<u>\$ 17,934,219</u>

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At March 31, 2008, \$7,959,595 of the Township's bank balances of \$8,359,595 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Interest</i>	<i>Inter- governmental</i>	<i>Special assessments</i>	<i>Totals</i>
Governmental funds:						
General	\$ 37,256	\$ 22,861	\$ -	\$ 203,591	\$ -	\$ 263,708
Fire Operation and Maintenance	-	17,233	-	11,035	-	28,268
Law Enforcement	-	14,567	-	6,540	-	21,107
Nonmajor governmental funds	-	7,097	-	-	-	7,097
Total governmental funds	<u>\$ 37,256</u>	<u>\$ 61,758</u>	<u>\$ -</u>	<u>\$ 221,166</u>	<u>\$ -</u>	<u>\$ 320,180</u>
Proprietary funds:						
Sewer	\$ 238,091	\$ -	\$ -	\$ -	\$ 335,827	\$ 573,918
Water	<u>211,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,274</u>	<u>541,161</u>
Total proprietary funds	<u>\$ 449,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 665,101</u>	<u>\$ 1,115,079</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,001</u>	<u>\$ 560,001</u>

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 463,176	\$ -	\$ -	\$ 463,176
Construction in progress	-	226,287	-	226,287
			-	
Subtotal	463,176	226,287	-	689,463
Capital assets being depreciated:				
Land improvements	2,978,856	-	-	2,978,856
Buildings	4,556,377	-	-	4,556,377
Equipment and vehicles	2,872,048	69,264	-	2,941,312
Shared road costs	520,812	-	-	520,812
Subtotal	10,928,093	69,264	-	10,997,357
Less accumulated depreciation:				
Land improvements	(365,802)	(64,104)	-	(429,906)
Buildings	(1,063,043)	(92,081)	-	(1,155,124)
Equipment and vehicles	(1,428,992)	(184,038)	-	(1,613,030)
Shared road costs	(15,410)	(34,721)	-	(50,131)
Subtotal	(2,873,247)	(374,944)	-	(3,248,191)
Total capital assets being depreciated, net	8,054,846	(305,680)	-	7,749,166
Governmental activities capital assets, net	\$ 8,518,022	\$ (79,393)	\$ -	\$ 8,438,629
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 47,282,163	\$ 627,211	\$ -	\$ 47,909,374
Water system	29,721,058	1,122,005	-	30,843,063
Subtotal	77,003,221	1,749,216	-	78,752,437
Less accumulated depreciation:				
Sewer system	(10,233,027)	(951,915)	-	(11,184,942)
Water system	(5,493,598)	(605,641)	-	(6,099,239)
Subtotal	(15,726,625)	(1,557,556)	-	(17,284,181)
Business-type activities capital assets, net	\$ 61,276,596	\$ 191,660	\$ -	\$ 61,468,256

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 78,897
Public safety	171,978
Public works	34,721
Recreation and culture	<u>89,348</u>
Total governmental activities	<u>\$ 374,944</u>

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2008, noncurrent liabilities are comprised of the following individual issues:

Business-type activities:	
Bonds:	
\$1,385,000 1992 Local Development Finance Authority tax increment bonds due in annual installments ranging from \$50,000 to \$200,000, plus interest at 5.5% to 6.0%; final payment due May 2011	\$ 300,000
Contracts:	
\$171,070 2003 Sewer contract payable to developer due in annual installments of \$17,107; final payment due September 2011	53,356
\$125,101 2003 Sewer contract payable to developer due in annual installments of \$12,510; final payment due September 2012	<u>77,622</u>
Total business-type activities noncurrent liabilities	<u>\$ 430,978</u>

Noncurrent liability activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activities:					
1992 Water tax increment bonds	\$ 550,000	\$ -	\$ 250,000	\$ 300,000	\$ 100,000
2003 Sewer contract payable	70,463	-	17,107	53,356	17,107
2003 Sewer contract payable	<u>90,132</u>	<u>-</u>	<u>12,510</u>	<u>77,622</u>	<u>12,510</u>
Total noncurrent liabilities	<u>\$ 710,595</u>	<u>\$ -</u>	<u>\$ 279,617</u>	<u>\$ 430,978</u>	<u>\$ 129,617</u>

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

At March 31, 2008, debt service requirements were as follows:

<i>Year ended</i> <u>March 31:</u>	<i>Business-type activities</i>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 129,617	\$ 18,000
2010	229,617	12,000
2011	29,617	-
2012	29,617	-
2013	12,510	-
Totals	<u>\$ 430,978</u>	<u>\$ 30,000</u>

All debt is secured by the full faith and credit of the Township.

NOTE 7 - PAYABLES:

Payables as of year end for the Township's funds are as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- governmental</u>	<u>Interest</u>	<u>Totals</u>
Governmental funds:					
General	\$ 23,281	\$ -	\$ -	\$ -	\$ 23,281
Fire Operation and Maintenance	3,900	17,716	27,775	-	49,391
Law Enforcement	-	-	45,469	-	45,469
Nonmajor governmental funds	4,770	-	-	-	4,770
Totals	<u>\$ 31,951</u>	<u>\$ 17,716</u>	<u>\$ 73,244</u>	<u>\$ -</u>	<u>\$ 122,911</u>
Proprietary funds:					
Sewer	\$ 128,384	\$ -	\$ -	-	\$ 128,384
Water	111,999	-	-	-	111,999
Totals	<u>\$ 240,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 240,383</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2008, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 1,848	Law Enforcement	\$ 1,848
Nonmajor governmental funds	<u>18,508</u>	General	<u>18,508</u>
Totals	<u>\$ 20,356</u>	Totals	<u>\$ 20,356</u>

The interfund balances represent temporary cash flow assistance. All amounts are to be repaid in the subsequent year.

The following interfund transfers occurred during the year ended March 31, 2008:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Improvement Revolving	\$ 500,000	General	\$ 500,000
Public Improvement	<u>600,000</u>	Improvement Revolving	<u>600,000</u>
Totals	<u>\$ 1,100,000</u>	Totals	<u>\$ 1,100,000</u>

The amounts transferred represent unrestricted revenues that are intended to finance anticipated future capital projects, including the construction of a recreational facility and nonmotorized trails.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 10.5% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$61,698 for the year ended March 31, 2008.

NOTE 11 - JOINT VENTURE:

Byron-Gaines Utility Authority:

The Township is a member of the Byron-Gaines Utility Authority (the Authority), which is a joint venture of the Townships of Byron and Gaines. The administrative board of the Authority consists of members appointed by each participating unit. The Authority was formed to jointly provide water and sewer services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2008, the Township contributed \$526,244 as its proportionate share of the Authority's capital costs and other administrative expenses. The Sewer Fund and Water Fund contributed \$160,324 and \$365,920, respectively.

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - CONTINGENCIES:

Payback agreements:

The Township is contingently liable for paybacks of availability and trunkage fees to various developers. In accordance with the development agreements, the Township must make paybacks when additional customers connect to the utility systems. At March 31, 2008, the Township is contingently liable for payments to developers in the amounts of \$92,926 and \$388,199 in the Sewer Fund and Water Fund, respectively. During the year ended March 31, 2008, the Township made payments to developers, in accordance with these development agreements, in the amounts of \$3,673 and \$20,160 in the Sewer Fund and Water Fund, respectively. These agreements terminate on various dates between 2008 and 2012.

Tax appeals:

In the normal course of its activities, the Township becomes a party in various legal actions. The Township is currently involved in several Michigan Tax Tribunal cases, filed by property owners, which could have a significant financial impact. Because the outcome of these lawsuits is not presently determinable, the possible range of the potential cost cannot be reasonably predicted; therefore, no accrual has been made for this amount in the financial statements. The Township intends to vigorously defend its position in each of these appeals.

NOTE 13 - CONSTRUCTION COMMITMENT:

At March 31, 2008, the Township had authorized contracts totaling \$2,513,392 related to the construction of a community center. The costs of this project are being funded with money that has been set aside in the Township's improvement funds. Costs incurred through March 31, 2008, were \$160,325, leaving a commitment of \$2,353,067.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Byron
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 624,500	\$ 624,500	\$ 649,782	\$ 25,282
Licenses and permits	135,000	135,000	162,288	27,288
State grants	1,200,000	1,200,000	1,211,330	11,330
Intergovernmental	60,000	60,000	60,000	-
Charges for services	197,100	197,100	254,155	57,055
Fines and forfeitures	-	-	13,290	13,290
Interest and rentals	156,000	156,000	235,631	79,631
Other:				
Street lighting assessment	160,000	160,000	169,982	9,982
Miscellaneous	42,350	42,350	14,452	(27,898)
Total revenues	<u>2,574,950</u>	<u>2,574,950</u>	<u>2,770,910</u>	<u>195,960</u>
EXPENDITURES				
Legislative	<u>21,600</u>	<u>21,600</u>	<u>21,530</u>	<u>70</u>
General government:				
Supervisor	63,700	63,700	62,779	921
Elections	31,800	31,800	13,665	18,135
Assessor	101,900	101,900	99,832	2,068
Professional fees	201,500	201,500	189,965	11,535
Clerk	88,900	88,900	89,342	(442)
Treasurer	97,200	97,200	95,172	2,028
Building and grounds	124,900	124,900	113,332	11,568
Cemeteries	43,000	43,000	42,538	462
General administration	452,800	452,800	479,155	(26,355)
Total general government	<u>1,205,700</u>	<u>1,205,700</u>	<u>1,185,780</u>	<u>19,920</u>
Public works:				
Drain maintenance	75,000	75,000	71,364	3,636
Hydrant rental	12,000	12,000	11,140	860
Road construction and maintenance	147,500	147,500	129,687	17,813
Street lighting	125,000	125,000	134,834	(9,834)
Total public works	<u>359,500</u>	<u>359,500</u>	<u>347,025</u>	<u>12,475</u>

Township of Byron

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>\$ 82,600</u>	<u>\$ 82,600</u>	<u>\$ 65,569</u>	<u>\$ 17,031</u>
Recreation and culture:				
Parks	152,300	152,300	158,500	(6,200)
Recreation	225,400	225,400	207,629	17,771
Library	<u>48,600</u>	<u>48,600</u>	<u>49,532</u>	<u>(932)</u>
Total recreation and culture	<u>426,300</u>	<u>426,300</u>	<u>415,661</u>	<u>10,639</u>
Capital outlay	<u>117,500</u>	<u>117,500</u>	<u>81,956</u>	<u>35,544</u>
Total expenditures	<u>2,213,200</u>	<u>2,213,200</u>	<u>2,117,521</u>	<u>95,679</u>
EXCESS OF REVENUES OVER EXPENDITURES	361,750	361,750	653,389	291,639
OTHER FINANCING USES				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(138,250)	(138,250)	153,389	291,639
FUND BALANCES - BEGINNING	<u>2,859,992</u>	<u>2,859,992</u>	<u>2,859,992</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,721,742</u>	<u>\$ 2,721,742</u>	<u>\$ 3,013,381</u>	<u>\$ 291,639</u>

Township of Byron
BUDGETARY COMPARISON SCHEDULE - Fire Department Operation and
Maintenance Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 545,000	\$ 545,000	\$ 558,632	\$ 13,632
Intergovernmental	30,000	30,000	-	(30,000)
Interest	15,000	15,000	17,009	2,009
Other	-	-	10	10
Total revenues	<u>590,000</u>	<u>590,000</u>	<u>575,651</u>	<u>(14,349)</u>
EXPENDITURES				
Public safety:				
Byron Fire Department	238,800	238,800	230,631	8,169
Cutlerville Fire Department	<u>309,700</u>	<u>309,700</u>	<u>246,631</u>	<u>63,069</u>
Total expenditures	<u>548,500</u>	<u>548,500</u>	<u>477,262</u>	<u>71,238</u>
NET CHANGES IN FUND BALANCES	- 41,500	41,500	98,389	56,889
FUND BALANCES - BEGINNING	<u>482,519</u>	<u>482,519</u>	<u>482,519</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 524,019</u>	<u>\$ 524,019</u>	<u>\$ 580,908</u>	<u>\$ 56,889</u>

Township of Byron

BUDGETARY COMPARISON SCHEDULE - Law Enforcement Fund

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 450,000	\$ 450,000	\$ 472,215	\$ 22,215
Licenses	5,000	5,000	6,255	1,255
Interest	<u>40,000</u>	<u>40,000</u>	<u>43,599</u>	<u>3,599</u>
Total revenues	<u>495,000</u>	<u>495,000</u>	<u>522,069</u>	<u>27,069</u>
EXPENDITURES				
Public safety:				
Police protection	400,000	400,000	429,622	(29,622)
Crossing guard	20,000	20,000	35,584	(15,584)
School resource officer	18,000	18,000	25,104	(7,104)
Community wellness	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>448,000</u>	<u>448,000</u>	<u>500,310</u>	<u>(52,310)</u>
NET CHANGES IN FUND BALANCES	47,000	47,000	21,759	(25,241)
FUND BALANCES - BEGINNING	<u>1,012,193</u>	<u>1,012,193</u>	<u>1,012,193</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,059,193</u>	<u>\$ 1,059,193</u>	<u>\$ 1,033,952</u>	<u>\$ (25,241)</u>

SUPPLEMENTARY INFORMATION

Township of Byron
COMBINING BALANCE SHEET - nonmajor governmental funds
 March 31, 2008

	<i>Special revenue funds</i>				
	<i>Fire Department Capital Outlay</i>	<i>Trails</i>	<i>Public Improvement</i>	<i>Improvement Revolving</i>	<i>Total other governmental funds</i>
ASSETS					
Cash	\$ 1,109,093	\$ 418,444	\$ 205,475	\$ -	\$ 1,733,012
Investments	-	-	1,167,413	1,589,158	2,756,571
Receivables	7,097	-	-	-	7,097
Due from other funds	4,842	-	-	-	4,842
Total assets	<u>\$ 1,121,032</u>	<u>\$ 418,444</u>	<u>\$ 1,372,888</u>	<u>\$ 1,589,158</u>	<u>\$ 4,501,522</u>
LIABILITIES AND FUND BALANCES					
Liabilities - payables	\$ 2,811	\$ -	\$ 1,959	\$ -	\$ 4,770
Fund balances - unreserved, undesignated	<u>1,118,221</u>	<u>418,444</u>	<u>1,370,929</u>	<u>1,589,158</u>	<u>4,496,752</u>
Total liabilities and fund balances	<u>\$ 1,121,032</u>	<u>\$ 418,444</u>	<u>\$ 1,372,888</u>	<u>\$ 1,589,158</u>	<u>\$ 4,501,522</u>

Township of Byron

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2008

	<u>Special revenue funds</u>				<i>Total other govern- mental funds</i>
	<i>Fire Department Capital Outlay</i>	<i>Trails</i>	<i>Public Improvement</i>	<i>Improvement Revolving</i>	
REVENUES					
Property taxes	\$ 157,567	\$ -	\$ -	\$ -	\$ 157,567
Interest	45,211	20,246	42,345	81,825	189,627
Other	3,428	-	-	-	3,428
Total revenues	206,206	20,246	42,345	81,825	350,622
EXPENDITURES					
Capital outlay	44,011	65,962	160,325	-	270,298
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	162,195	(45,716)	(117,980)	81,825	80,324
OTHER FINANCING SOURCES					
Transfers in	-	-	600,000	500,000	1,100,000
Transfers out	-	-	-	(600,000)	(600,000)
Total other financing sources (uses)	-	-	600,000	(100,000)	500,000
NET CHANGES IN FUND BALANCES	162,195	(45,716)	482,020	(18,175)	580,324
FUND BALANCES - BEGINNING	956,026	464,160	888,909	1,607,333	3,916,428
FUND BALANCES - ENDING	<u>\$ 1,118,221</u>	<u>\$ 418,444</u>	<u>\$ 1,370,929</u>	<u>\$ 1,589,158</u>	<u>\$ 4,496,752</u>

August 21, 2008

To the Board of Trustees
Township of Byron

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Byron for the year ended March 31, 2008, and have issued our report thereon dated August 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Byron are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Byron during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Byron's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Byron as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Byron's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Byron and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

SiegfriedCrandallPC

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August 21, 2008

Members of the Board
Township of Byron

In planning and performing our audit of the financial statements of the Township of Byron for the year ended March 31, 2008, in accordance with U.S. generally accepted auditing standards, we considered the Township of Byron's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated August 21, 2008 contains our report on significant deficiencies and material weaknesses. This letter does not affect our report dated August 21, 2008, on the financial statements of the Township of Byron.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

Siegfried Crandall P.C.



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COMMENTS AND RECOMMENDATIONS

Tax Fund monitoring

The Township's Tax Fund, an agency fund, collects and distributes a substantial amount of money over the course of the year. State statutes require the Township to maintain a separate bank account for these transactions and to remit taxes collected on behalf of other units within certain time periods. Statutorily, the Treasurer is the only official that must be an authorized signer for the separate bank account. The Township must also maintain a general ledger for the Tax Fund.

Our consideration of the internal controls related to the Tax Fund revealed opportunities to strengthen the system of controls. We recommend that both the Treasurer and the Clerk review and approve all Tax Fund disbursements, both checks and electronic transfers, for adequate support before disbursements are issued. Both the Treasurer and the Clerk should be authorized signers on the separate bank account for the Tax Fund. In addition, the Treasurer's Department could prepare a report for the Board of Trustees that identifies all taxes collected and paid, by taxing authority, prior to the annual settlement with the County.

These additional procedures should strengthen the controls over the tax collection transaction cycle and allow for monitoring of the Tax Fund by officials in addition to the Treasurer.

Utility billing adjustments

Our consideration of the internal controls related to utility billings revealed an opportunity to strengthen the system of controls through the segregation of duties. Utility billing adjustments are currently approved and recorded by the same person. Errors and fraud have occurred in other communities due to the lack of a segregation of duties related to the utility billing transaction cycle.

We recommend the review and approval of all utility billing adjustments by a Township employee who has an understanding of the utility billing system but no ability to record billing transactions. The Water/Sewer Department could prepare several reports, on a monthly basis, to support billing adjustments. The reports would include: a "billing summary report," along with a "billing register correction summary report;" an "account history adjustment report;" and a copy of the general ledger history supporting the posting of the transaction.

Postemployment benefits

Because the Board is considering the provision of postemployment benefits to its retirees, we want to make you aware of certain changes in accounting standards that may effect the decisions to be made concerning these benefits.

The Governmental Accounting Standards Board has issued an accounting pronouncement (GASB No. 45) related to postemployment benefits other than pensions that must be implemented in the near future. The pronouncement requires local units of government to record and report the cost of providing these benefits to its retirees. The intent of the new rules is to recognize the cost of providing the benefits over the working life of the employee rather than when cash is paid for the benefits. The Township would be required to measure and report its obligation to provide postemployment benefits and the related annual costs in the fiscal year that begins April 1, 2009.

The Township is not required to fund these obligations before they come due, but it is required to measure the costs of providing the benefits.

We recommend that the Township consult an experienced actuary to measure these obligations, when necessary.

COMMENTS AND RECOMMENDATIONS (Continued)

Written policies and procedures

Many of the Township's policies and procedures, especially those related to the accounting function, have not been formally documented.

We recommend that the Township develop a written accounting policies and procedures manual. Committing the Township's policies and procedures to writing would provide several benefits, including:

- clarification of responsibilities and segregation of duties
- communication of appropriate systems of internal controls
- improve continuity at the time of personnel changes